

Message Text

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PAGE 01 OECD P 26337 01 OF 02 092149Z

67

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

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LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03 PA-01 PRS-01

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TO SECSTATE WASH DC IMMEDIATE 8770

INFO USMISSION EC BRUSSELS

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AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

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AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 26337

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PAGE 02 OECD P 26337 01 OF 02 092149Z

MOSCOW FOR UNDER SECRETARY ROBINSON

E.O. 11652: GDS
TAGS: OECD, IEA

SUBJECT: IEA: GOVERNING BOARD DISCUSSION ON
PREPARATIONS FOR PRODUCER/CONSUMER DIALOGUE

1. MEETING IN RESTRICTED INFORMAL SESSION ON OCTOBER 9,
GOVERNING BOARD REACHED FOLLOWING CONCLUSIONS ON SUB-
STANTIVE AND PROCEDURAL PREPARATIONS FOR THE DIALOGUE.

2. ENERGY STRATEGY AND OBJECTIVES: BOARD AGREED THAT
AS FUNDAMENTAL ELEMENT OF CONSUMER COOPERATION ON ENERGY
IEA SHOULD REACH FULL AGREEMENT AND COMMON POSITION ON
OVERALL ENERGY STRATEGY AND OBJECTIVES IN THE DIALOGUE,
GOING BEYOND A SIMPLE COORDINATION OF POSITIONS.

3. BOARD CONCLUDED THAT CONSUMING COUNTRY APPROACH IN
THE ENERGY COMMISSION SHOULD BE LOW KEY. WHILE WE MUST
IDENTIFY AND SAFEGUARD OUR BASIC INTERESTS, WE SHOULD
AVOID IN THE EARLY STAGES OF THE COMMISSION'S WORK
RAISING CONTENTIOUS ISSUES. THEREFORE, WE SHOULD SEEK
TO BEGIN COMMISSION'S WORK WITH AN OVERALL ASSESSMENT OF
THE WORLD ENERGY SITUATION, AVOIDING ANY CONFRONTATION-
ALIST OVERTONES IN PRICE ISSUE.

4. ON ISSUE OF PRICE, BOARD AGREED THAT IEA APPROACH
SHOULD BEGIN WITH AN ANALYTICAL ASSESSMENT OF (1) THE
LIKELIHOOD OF AN INCREASE IN REAL OIL PRICE OVER THE
NEXT FIVE YEARS; AND (2) EXTENT TO WHICH CONSUMERS
COULD GAIN ADVANTAGE FROM SOME SORT OF AGREEMENT OR
ARRANGEMENT WITH THE PRODUCERS. DISCUSSION INDICATED
CLEARLY THAT MAJORITY OF IEA COUNTRIES NOW BELIEVE THAT
RESULTS OF THIS ANALYSIS WILL SHOW THAT THERE IS NO
POSSIBILITY FOR SERIOUS NEGOTIATION WITH THE PRODUCERS
ON PRICE BECAUSE THE COST OF ANY SUCH AGREEMENT (I.E.,
SOME FORM OF MAINTENANCE OF VALUE) WOULD BE DISPROPORT-
IONATELY HIGH WHEN MEASURED AGAINST POSSIBLE BENEFITS
OF ANY INCREASE IN PROTECTION AGAINST PRICE INCREASES.
HOWEVER, IT WAS ALSO AGREED THAT WHILE THIS WOULD IMPLY
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PAGE 03 OECD P 26337 01 OF 02 092149Z

AN ESSENTIALLY NON-DEMANDING POSITION ON PRICE, THIS
DID NOT MEAN THAT WE SHOULD NOT SEEK TO USE THE DIALOGUE
TO INTENSIFY OTHER ACTUAL AND POTENTIAL CONSTRAINTS ON
OPEC'S UNILATERAL CONTROL OF OIL PRICES, E.G. LDC
PRESSURES, AND A GROWING SENSE OF PRODUCERS OWN STAKE
IN A STABLE AND HEALTHY WORLD ECONOMY. IN THIS REGARD,
SEVERAL DELEGATIONS INDICATED TENTATIVE BELIEF THAT
SOME FORM OF CONSULTATIVE MECHANISM, FORMAL OR

INFORMAL, MIGHT BE USEFUL RESULT FROM THE DIALOGUE AS IT WOULD GIVE CONSUMERS A CHANNEL THROUGH WHICH TO REINFORCE OPEC MODERATES. ONLY NETHERLANDS MADE REFERENCE TO DESIRABILITY FOR BOTH PRODUCERS AND CONSUMERS TO HAVE MORE STABLE PRICES. ALL DELEGATIONS AGREED, HOWEVER, THAT DEVELOPED COUNTRIES SHOULD AVOID ANY FORMULATION WHICH WOULD TEND TO LEGITIMIZE CURRENT HIGH PRICE LEVELS.

5. ON SECURITY OF SUPPLY, WHILE IT IS NECESSARY TO USE DIALOGUE TO EDUCATE PRODUCERS ON LINK BETWEEN SECURITY OF SUPPLY AND WORLD ECONOMIC WELL-BEING, IT IS UNLIKELY THAT ANY REAL PROTECTION FOR CONSUMING COUNTRY INTERESTS COULD BE OBTAINED EITHER IN POLITICAL ARRANGEMENT OR UNDERSTANDING.

7. PARTICIPATION IN GROUP OF 27 AND ENERGY COMMISSION. GOVERNING BOARD AGREED INFORMALLY THAT THE FIVE INDUS-

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PAGE 01 OECD P 26337 02 OF 02 092151Z

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 26337

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PAGE 02 OECD P 26337 02 OF 02 092151Z

TRIALIZED COUNTRY REPRESENTATIVES ON THE ENERGY COMMISSION SHOULD ALL BE IEA MEMBERS. SINCE ONLY NON-IEA OECD CANDIDATES FOR PARTICIPATION (AUSTRALIA AND GREECE) DID NOT APPEAR TO MEET CRITERIA FOR INCLUSION IN ENERGY COMMISSION.

8. REGARDING EC REPRESENTATION, UK STATED IT WAS INDEED CANDIDATE FOR PARTICIPATION AND GOT ASSURANCE FROM OTHERS THAT AT PREPCON NEXT WEEK NO COMMITMENTS WOULD BE MADE ON SPECIFIC COUNTRY REPRESENTATION AT THE MINISTERIAL. ALL IEA MEMBERS, INCLUDING UK, HOWEVER, REAFFIRMED AGREEMENT TO FRENCH AIDE MEMOIRE THAT SPECIFIED 27 IS TOTAL NUMBER OF PARTICIPANTS, OF WHICH EIGHT WERE FROM INDUSTRIALIZED GROUPING. COMMISSION REP FURTHER NOTED THAT EC HAD AGREED THAT EIGHT WOULD CONSIST OF THREE PREPCON PARTICIPANTS (I.E., US, JAPAN AND EC) PLUS FIVE ADDITIONAL PARTICIPANTS. DANISH DELEGATE STATED FIRMLY ITS POSITION THAT COMMUNITY WOULD BE REPRESENTED BY ONE OR NINE, BUT NOTHING IN BETWEEN. SEVERAL NON-EC IEA COUNTRIES (SWEDEN, AUSTRIA, SWITZERLAND AND SPAIN) SAID THAT THEIR ACCEPTANCE OF THE NUMBER OF 27 WAS CONDITIONED ON THE ASSUMPTION THAT IT WOULD BE RESTRICTED YET REPRESENTATIVE. IF THE EC COUNTRIES, IN FACT, ASK FOR MORE THAN ONE SEAT, THE FORMULA MUST BE REEXAMINED.

9. ONLY OTHER DEVELOPMENT OF SIGNIFICANCE ON PARTICIPATION ISSUE WAS CONFIRMATION BY TURKISH DELEGATION THAT TURKEY HAS WITHDRAWN ITS CANDIDACY FOR MEMBERSHIP IN THE GROUP OF 27.

10. AGENDAS FOR COMMISSIONS: GOVERNING BOARD AGREED THAT WE MUST RESIST ANY EFFORT BY OPEC/LDC COUNTRIES TO NEGOTIATE WORK PROGRAMS FOR THE COMMISSIONS AT THE MINISTERIAL CONFERENCE. PREFERRED OPTION IS TO LET COMMISSIONS WORK OUT OWN WORK PROGRAMS AFTER MINISTERIAL AND SIMPLY HAVE MINISTERS LAUNCH THEM ON BASIS OF GENERAL TERMS OF REFERENCE CONTAINED IN FRENCH CONSENSUS SOME DELEGATES SAID THAT IF AGREEMENT ON THIS CANNOT BE CONFIDENTIAL

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PAGE 03 OECD P 26337 02 OF 02 092151Z

TIED DOWN AT PREPCON, WE SHOULD AGREE TO DISCUSS POSSIBLE AGENDAS THERE BUT TO WORK OUT AGREEMENT ON ACTUAL TEXTS IN INTERVAL BETWEEN PREPCON AND MINISTERIAL. SEVERAL DELEGATIONS FELT THAT WHILE INDUSTRIALIZED COUNTRIES WOULD BE ABLE TO NEGOTIATE TERMS OF REFERENCE FOR ENERGY COMMISSION AT PREPCON THEY WOULD NOT YET BE IN SIMILAR POSITION ON OTHER COMMISSIONS. THERE WAS STRONG CONSENSUS THAT CONSUMERS SHOULD NOT ALLOW THEMSELVES TO BE PLACED ON THE DEFENSIVE IN ANY ELABORATION OF AGENDA FOR ENERGY COMMISSION AND THAT LANGUAGE OF AGENDA SHOULD NOT PREJUDGE CONCLUSIONS.

11. ON THE FINANCIAL COMMISSION, THERE WAS AGREEMENT THAT INDUSTRIALIZED COUNTRIES SHOULD RESIST ANY ATTEMPT BY THE SEVEN TO GIVE FINANCIAL COMMISSION AN INDEPENDENT WORK PROGRAM AND THAT ITS SCOPE SHOULD BE FIRMLY RESTRICTED TO THE FINANCIAL ISSUES RELATED TO THE WORK OF THE OTHER THREE COMMISSIONS AND REFERRED TO THE FINANCIAL COMMISSION BY THEM. WITH REGARD TO BACKSTOPPING AMONG INDUSTRIALIZED COUNTRIES FOR THE 4TH COMMISSION. GOVERNING BOARD AGREED THAT IT MUST REVIEW ALL FINANCIAL ISSUES RELATED TO ENERGY IN ORDER TO FORMULATE AN OVERALL ENERGY STRATEGY. THEREFORE, THE IEA'S AD HOC FINANCIAL GROUP WOULD CONTINUE TO SERVE AS A CHANNEL FOR INPUT OF ANALYSIS FOR THE GOVERNING BOARD, COORDINATING AS NECESSARY AND APPROPRIATE WITH THE TEMPORARY WORKING PARTY OF THE OECD.

12. AS LAST ITEM FOR DISCUSSION, GERMAN REP ROBERT PROPOSED MEETING OF OECD COUNCIL AT DEPUTY MINISTER LEVEL SHORTLY BEFORE MINISTERIAL OF 27 AS MEANS FOR GIVING POLITICAL DIRECTION TO DIALOGUE. THERE WAS UNANIMOUS NEGATIVE REACTION TO THIS PROPOSAL FOR VARIOUS REASONS: SUCH A MEETING COULD GIVE OECD HANDLE ON IEA ENERGY DECISIONS; XCSS WAS MORE FLEXIBLE BODY

WITH SUFFICIENTLY BROAD MANDATE; HIGH VISIBILITY
MEETING WOULD REENFORCE CASE BY LDCS FOR LINKAGE
OF COMMISSIONS; AND SUCH A PROPOSAL SHOULD BE CONSIDERED
IN OECD RATHER THAN IN IEA.
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